

## Low Interest Rates May Be Here To Stay, Bank Of Canada Governor Says

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The Bank of Canada's governor says today's era of stubbornly low interest rates means it's time to revisit retirement plans, temper business investment expectations and encourage policy-makers to pounce on smaller morsels of economic opportunity.

In prepared remarks of a speech he was to deliver Tuesday in Quebec City, Stephen Poloz laid out recommendations on how to adapt to low interest rates that he expects will linger for a long time.



*Bank of Canada Governor Stephen Poloz. (Photo: CP)*

"The most important force pushing the neutral rate down has been a steady decline in the potential growth in the economy," Poloz's speech said.

"I have heard from many Canadians who are rightly worried about their ability to live off their savings and who are seeking a return to higher interest rates."

The bank's benchmark interest rate, however, has remained at a low level of 0.5 per cent for more than a year and it's not expected to start climbing any time soon.



*Stephen Poloz. (Photo: CP)*

To ensure an adequate retirement, Poloz suggested Canadians consider saving more, working longer than planned and changing their investment mix to adjust to the persistently low interest rates. The need is compounded by the fact Canadians are living longer.

He also urged businesses to invest more to help the economy, saying the current climate means they must lower their expectations when it comes to rates of return on investments. The main cause of weak business investment has been the high level of uncertainty, Poloz added.

The central banker also said governments should cobble together a mix of policies to boost the country's economic output — even if each opportunity on its own offers only a slight improvement.

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He said policy-makers must continue to pursue new trade opportunities at home and abroad, invest more on infrastructure and tweak tax and immigration policies to help promote the growth of new firms.

"In a lower-for-longer world, these are opportunities we simply cannot afford to miss," he said.

"With a projection that Canada's economic potential is likely to grow by only around 1.5 per cent, which is not very inspiring, we need to take every decimal point of potential growth more seriously than we have in the past."